

12 AUGUST 2020

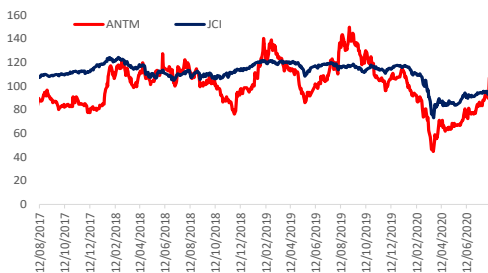
COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	ANTM IJ
Sector	Metal Mining
Current Price	Rp 800
Target Price	Rp 950
Upside/Downside	19%
Share Out (bn shares)	24.03
Market Cap (Rp bn)	25.713
52 – w range (low-high)	Rp 338 - Rp 1,175
Average daily turnover (Rp bn)	
1 month	Rp 140.6
3 month	Rp 131.4
YTD 2020	Rp 105.3

PRICE CHART



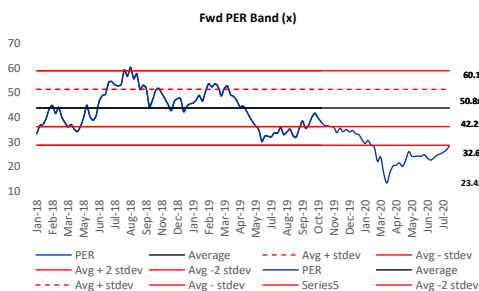
Source: Bloomberg

SHAREHOLDER'S INFORMATION

INALUM	65%
Public	35%

Source: Company data

PE/BAND



Source: Bloomberg

PT ANEKA TAMBANG TBK

Outperform result, promising ahead

ANTM posted strong results in 2Q20 with net profit of IDR 367 billion (vs: 1Q20 net losses of IDR 282 billion). The strong 2Q20 result above our expectations mainly due increase in refined nickel sales volume (+8% QoQ). For 1H20, ANTM posted net profit of IDR85bn, achieving 51% and 98% of our and consensus FY20F. In 1H20, net profits declined by 80.2% yoy to IDR85bn due to lower sales volume of nickel ore and gold. We estimates 2H20 earnings to improve, on the back of: 1). Improving LME nickel prices supported by increasing demand 2). Monthly mineral ore benchmark will increase domestic ANTM for nickel ore sales 3). A stronger Rupiah appreciation. We retain our BUY recommendation, TP Rp 950/share. ANTM is currently trading at 0.8x PBV 2020F.

Above expectations 2Q20 results, thanks to strong refined nickel sales volume

ANTM's 2Q20 net profit came in at IDR 367 bn (vs: 1Q20 net losses of IDR 282 bn) mainly due to: 1) Strong nickel performance with higher ferronickel sales volume and ASP (net margin in 2Q20: 18.9% vs 1Q20: 13.7%), 2). Forex gains of IDR204bn in 2Q20 vs. forex losses of IDR362bn in 1Q20. Bringing the 1H20 net profit to IDR 85bn (-77% YoY), above our and consensus forecast FY20F. Better than expected earnings was due to lower operating expenses (-47% YoY), albeit higher interest cost in 1Q20. Revenue came in at Rp9.2tn (-36% YoY) below our estimates, mainly due to lower nickel ore (-95% YoY) and gold (-33% YoY) sales volume. For 2H20, we expect better earnings, mainly due to higher expected commodity prices. On other hand, ANTM will be the beneficiary of lower oil price (-47% Ytd), as fuel accounts for 37% of total cash cost.

Strong earnings outlook going forward

In mid-April 2020, the Energy & Mineral Resources Ministry prepared the ministerial decree No.11/2020 that mandates the use of Indonesia's monthly mineral ore benchmark price as the price floor for transactions. This is positive for ANTM in developing domestic market customers in view of the better pricing. To overcome the nickel-ore export ban, ANTM plans to increase sales volume of domestic nickel ore market. That said, the completion of Pomalaa plant will ramp up ANTM'S capacity, and expect a further improvement in ferronickel production by +10% YoY to 28k tonnes for FY21. In addition, higher nickel prices will trigger better earnings in 2H20 compared to 1H20. We expect nickel prices to gain momentum in the mid to long term following strong demand growth from electric vehicle (EV) batteries. We forecast our nickel price averaging at at US\$ 13,000/ton (-7.15% YoY) and US\$ 14,500/ton (+11.5% YoY) in FY20 and FY21 respectively.

BUY rating – fair value at Rp 950/share

We revise up our ferronickel sales volume and nickel ore sales volume estimates for 2020F and 2021F by an increase of 8% higher nickel price forecast. We retain our TP of Rp 950/share, derived from 1.1x PBV 2021F. The stock is currently traded at 0.8X PBV 2020F.

**Key risks:** 1) Significant drop in nickel and gold prices; 2) lower than expected ferronickel and gold sales volume; 3) changes in government policies.

Financial Summary

(Rp billion)	2017A	2018A	2019A	2020F	2021F
Revenue	12.654	25.242	26.058	18.157	30.269
EBITDA	1.374	2.557	2.352	1.636	1.838
Net profit	137	874	753	219	319
EPS (Rp)	6	36	31	9	13
PER (x)	140,83	21,99	25,52	87,91	60,27
PBV (x)	1,04	0,97	0,94	0,93	0,91
EV/EBITDA (x)	7,34	6,61	6,77	7,28	6,57
RoE (%)	0,74	4,43	3,68	1,06	1,52

Source: Company data and Lotus Andalan Research

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## Interim Financial Result

	1H19	1H20	YoY	FY20F	Coverage	1Q20	2Q20	QoQ
<b>P/L (In Rp billion)</b>								
Revenue	14.426,0	9.226,0	-36,0%	18.156,8	50,8%	5.203,0	4.024,0	-22,7%
Cost of revenue	(12.279,0)	(7.917,0)	-35,5%	(24.816,0)	31,9%	(4.641,0)	(3.276,0)	-29,4%
Gross profit	2.147,0	1.309,0	-39,0%	4.024,0	32,5%	562,0	747,0	32,9%
Operating expense	1.415,0	858,0	-39,4%	(2.019,0)	-42,5%	424,0	433,0	2,1%
Operating profit	732,0	451,0	-38,4%	2.005,0	22,5%	138,0	314,0	127,5%
Net Profit	428,0	85,0	-80,1%	1.287,0	6,6%	(282,0)	367,0	-230,1%

## Profitability

Gross margin	14,9%	14,2%		22,2%		10,8%	18,6%	
EBIT margin	5,1%	4,9%		11,0%		2,7%	7,8%	
Net margin	3,0%	0,9%		7,1%		-5,4%	9,1%	

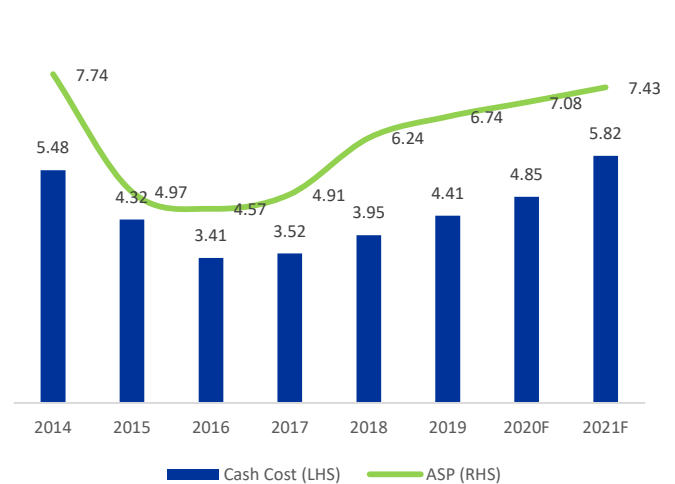
Source: Company data and Lotus Andalan Research

## Gold Cash Cost and ASP (US\$/ Troy oz)



Source: Company data, Lotus Andalan Research

## Ferronickel Cash Cost and ASP (US\$/lb)



Source: Company data, Lotus Andalan Research

## Financial Highlights of PT Aneka Tambang Tbk

In Rp Billion									
BALANCE SHEET					INCOME STATEMENT				
	2018A	2019A	2020F	2021F		2018A	2019A	2020F	2021F
<b>ASSETS</b>					<b>Revenue</b>				
Cash & cash equivalents	4.299	3.233	2.494	3.149	Revenue	25.242	26.058	18.157	30.269
Accounts receivable	975	1.006	701	1.169	COGS	21.765	23.002	16.400	27.508
Inventories - net	2.028	1.777	1.305	2.254	Gross profit	3.477	3.056	1.756	2.761
Other current assets	1.197	1.235	1.112	1.001	Operating expenses	1.624	1.824	1.271	2.119
<b>Total current assets</b>	<b>8.498</b>	<b>7.252</b>	<b>5.612</b>	<b>7.573</b>	<b>Operating profit</b>	<b>1.853</b>	<b>1.232</b>	<b>485</b>	<b>643</b>
	21.667	22.047	22.396	22.201	<b>EBITDA</b>	<b>2.557</b>	<b>2.352</b>	<b>1.636</b>	<b>1.838</b>
Fixed assets	3.141	3.242	2.259	3.766	Interest income	164	194	146	112
Other non current assets	24.808	25.290	24.655	25.967	Interest expense	554	336	314	293
<b>Total Non current assets</b>	<b>33.306</b>	<b>32.541</b>	<b>30.267</b>	<b>33.541</b>	Other income (expenses)	(307)	-	-	-
<b>TOTAL ASSETS</b>					<b>Total other income/(expenses)</b>	<b>(697)</b>	<b>(142)</b>	<b>(169)</b>	<b>(181)</b>
<b>LIABILITIES &amp; EQUITY</b>					<b>Income before tax</b>				
Short term bank loan	4.101	3.773	3.896	2.714	Income before tax	1.266	1.090	316	462
Accounts payable	1.291	1.158	1.792	1.316	Tax expense	391	337	98	143
Current maturities - bank loan	-	-	-	-	<b>Net profit before minority interest</b>	<b>874</b>	<b>753</b>	<b>219</b>	<b>319</b>
Other payables	161	580	599	417	Minority interest	0	0	0	0
Total Current Liabilities	5.552	5.511	6.286	4.447	<b>Net profit</b>	874	753	219	319
Bank loan	5.298	7.348	5.032	4.599	<b>EPS (Rp)</b>	<b>36</b>	<b>31</b>	<b>9</b>	<b>13</b>
Other LTD	674	708	731	509	<b>KEY FINANCIAL RATIOS</b>				
Total Non Current Liabilities	5.971	8.055	5.762	5.108	<b>Growth (%)</b>				
Capital Stock & APIC	6.338	6.338	6.338	6.338	Sales	99,5	3,2	(30,3)	66,7
RE	9.766	10.591	11.345	11.563	Gross profit	111,5	(12,1)	(42,5)	57,2
other	2.387	2.810	2.810	2.810	Operating Profit	208,5	(33,5)	(60,6)	32,4
Total Equity	18.490	19.739	20.493	20.711	EBITDA	86,1	(8,0)	(30,4)	12,3
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>30.014</b>	<b>33.306</b>	<b>32.541</b>	<b>30.267</b>	Net Profit	540,6	(13,8)	(71,0)	45,9
<b>CASH FLOW STATEMENT</b>					<b>Profitability (%)</b>				
<b>Net Income</b>	874	753	219	319	Gross margin	13,8	11,7	9,7	9,1
Depreciation & Amortization	704	1.120	1.151	1.195	Operating margin	7,3	4,7	2,7	2,1
Change in WC	(500)	853	301	(460)	EBITDA margin	10,1	9,0	9,0	6,1
Others	797	(20)	(58)	390	Net Profit margin	3,5	2,9	1,2	1,1
<b>Net Operating Cash Flow</b>	<b>1.875</b>	<b>2.707</b>	<b>1.613</b>	<b>1.444</b>	ROA	2,6	2,3	0,7	1,0
Capital Expenditure	(6.679)	(1.500)	(1.500)	(1.000)	ROE	4,4	3,7	1,1	1,5
Others	4.085	(102)	983	(1.507)	<b>Solvency (x)</b>				
<b>Net Investing Cash Flow</b>	<b>(2.594)</b>	<b>(1.602)</b>	<b>(517)</b>	<b>(2.507)</b>	Current ratio (x)	1,3	1,2	1,1	1,1
Change in borrowings - net	1.722	(2.194)	(1.613)	1.379	Net debt to equity (x)	4,3	2,5	2,6	2,6
Dividend payment	-	-	-	-	Net debt to EBITDA (x)	3,3	8,0	7,7	7,7
Adjustment	(2.342)	23	(222)	340	Interest coverage (x)	1,3	1,2	1,1	1,1
<b>Net Financing Cash Flow</b>	<b>(620)</b>	<b>(2.171)</b>	<b>(1.835)</b>	<b>1.719</b>					
<b>Change in cash</b>	<b>(1.339)</b>	<b>(1.066)</b>	<b>(739)</b>	<b>656</b>					
Cash at the beginning period	5.551	4.299	3.233	2.494					
Cash at the ending period	4.299	3.233	2.494	3.149					

Source: Company data and Lotus Andalan Research

**Notes:**

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **NEUTRAL** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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